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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 22, 2000

MOTION OF

MCIMETRO ACCESS TRANSMISSION SERVICES
OF VIRGINIA, INC.
and
MCI WORLDCOM COMMUNICATIONS
OF VIRGINIA, INC.

CASE NO. PUC000116

For Mediation of Unresolved Issues with Bell Atlantic-Virginia, Inc. pursuant to § 252(a)(2) of the Telecommunications Act of 1996

ORDER OF DISMISSAL

On April 3, 2000, McImetro Access Transmission Services of Virginia, Inc., and McI WorldCom Communications of Virginia, Inc. (collectively "McI WorldCom"), filed their request for mediation, pursuant to § 252(a)(2) of the Telecommunications Act of 1996 ("Act"). Pursuant to the Commission's Order Directing Response, Bell Atlantic-Virginia, Inc. (now Verizon Virginia Inc. and hereinafter, "Verizon Virginia"), filed its Response in opposition to McI WorldCom's request for mediation on April 28, 2000.

Verizon Virginia's objection to mediation by the Commission's Staff is that it is premature and that MCI WorldCom has failed to negotiate in good faith.

On August 10, 2000, MCI WorldCom filed its Petition for Arbitration, pursuant to § 252(b) of the Act and 20 VAC 5-400-190, in Case No. PUC000225. According to the arbitration petition, MCI WorldCom has been unable to negotiate an interconnection agreement with Verizon Virginia to replace its existing interconnection agreement and must now petition for arbitration of all terms of a replacement agreement.

Because of MCI WorldCom's arbitration petition in Case

No. PUC000225 the request filed herein for mediation is moot.

Therefore, this case should be dismissed.

Accordingly, IT IS ORDERED THAT this case is hereby dismissed.

¹ The existing interconnection agreement was approved in Case No. PUC960113. Its initial term runs to July 17, 2000, with a provision that allows the interconnection agreement to continue "month-to-month" until replaced.

BEFORE THE

STATE CORPORATION COMMISSION

OF VIRGINIA

Petition of)
MCI ACCESS TRANSMISSION SERVICES OF)
VIRGINIA, INC. AND MCI WORLDCOM)
COMMUNICATIONSOF VIRGINIA, INC.) CASE No. PUC
)
For Arbitration Pursuant to Section 252(b))
of the Telecommunications Act of 1996 to)
Establish an Interconnection Agreement With)
Bell Atlantic-Virginia, Inc.)

MOTION OF VERIZON VIRGINIA INC. TO DISMISS THE ARBITRATION PETITION OF MCIMETRO ACCESS TRANSMISSION SERVICES OF VIRGINIA, INC. AND MCI WORLDCOM COMMUNICATIONS OF VIRGINIA, INC.

Verizon Virginia Inc. ("Verizon") respectfully requests that the Commission dismiss the petition for arbitration filed by MCImetro Access Transmission Services of Virginia. Inc. and MCI WorldCom Communications of Virginia, Inc. (collectively, "WorldCom") on August 10, 2000. The petition should be dismissed because WorldCom has not complied with the Telecommunications Act of 1996 (the "Act") and the Commission's rules, and because it is premature for the Commission to consider it. Instead, WorldCom should be directed to engage in meaningful negotiations with Verizon, just as the parties intend to do in fifteen other jurisdictions.

BACKGROUND

On March 3, 2000, WorldCom served a request for negotiation of a new interconnection agreement on Verizon.¹ Verizon responded on March 7 by sending WorldCom the contract template that was then being used in all interconnection negotiations.² On March 13, without addressing the substance of Verizon's contract template, WorldCom sent Verizon the old Virginia MCImetro agreement. Verizon objected to negotiating from the old Virginia MCImetro agreement because it is technically and legally outdated.³

On March 21, WorldCom withdrew its proposal to negotiate from the old Virginia MCImetro agreement and instead requested that negotiations begin with a new model contract proposed by WorldCom.⁴ Worldcom sent that proposal to Verizon on March 23. A few weeks later, however, on April 3, WorldCom filed a Motion Requesting Mediation in which it reverted to its initial position, and again asked to use the old Virginia MCImetro agreement. That Motion asked the Commission to help the parties resolve "whether the existing interconnection agreement between MCImetro and BA-VA is the appropriate starting point for negotiations on the new interconnection agreement." 5

Petition at 4.

WorldCom's contention in its Petition that Bell Atlantic's model template is "illegal" is nonsense. This Commission, and many other State commissions, have found that Bell Atlantic's model template complies fully with the Act and is consistent with the public interest.

Response of Bell Atlantic-Virginia, Inc. to Request for Mediation of Unresolved Issues ("Response to Motion for Mediation") at 4.

See Petition of MCI Telecommunications Corporation and MCImetro Access Transmission Services of Virginia, Inc. for Arbitration of Unresolved Issues with Bell Atlantic-Virginia, Inc. pursuant to § 252 of the Telecommunications Act of 1996, PUC000116 (Apr. 3, 2000) ("Motion for Mediation") at 3.

Id. at 1.

After Worldcom filed its Motion, the parties continued discussions to try to resolve this threshold issue. Although they have failed to do so, they also had numerous discussions about scheduling negotiations for Virginia and other states.⁶ As a direct result of those discussions, on May 30, Verizon and its operating telephone company affiliates proposed a state-by-state schedule for renegotiating contracts expiring in 2000, including contracts in Rhode Island, New Hampshire, Maine, Pennsylvania, New Jersey, Washington, D.C., New York and Connecticut, as well as Virginia. The start date proposed by Verizon for negotiations for Virginia was June 15.⁷

On June 22, WorldCom responded to Verizon by proposing a different schedule for negotiating interconnection agreements, but said nothing about Virginia. Verizon responded the next day by agreeing to review WorldCom's proposed negotiation schedule. Then, on July 31, after the merger of Bell Atlantic and GTE, Verizon proposed a negotiation schedule for nine former Bell Atlantic and GTE jurisdictions, including Virginia. Under Verizon's proposal, negotiations would start with Texas on October 1, and then proceed to a new state every 15 days (e.g., New Jersey on October 15, Pennsylvania on November 1). Verizon also noted to WorldCom that WorldCom's June 22 email had omitted mention of Virginia and, consistent with the parties' approach in every other state, proposed starting renegotiations of the expiring Bell Atlantic and

Verizon frequently engages in such discussions with CLECs operating in multiple jurisdictions. By staggering the timing of negotiations, both parties can avoid the conflicts that witnesses and attorneys would experience if arbitrations had to be held simultaneously in multiple jurisdictions.

Exhibit 1.

⁸ Exhibit 2.

Id. On July 14, 2000, Mr. Twyman, the lead Bell Atlantic negotiator, told Mr. Lugar, the lead WorldCom negotiator. that because of Bell Atlantic's merger with GTE he would need more time to review WorldCom's proposed schedule. Exhibit 3.

Exhibit 4.

GTE contracts for Virginia on December 15. Notwithstanding Verizon's explicit reference to scheduling of the Virginia negotiations, WorldCom never advised Verizon that it was no longer interested in scheduling negotiations for Virginia. Instead, on August 10, without any prior notice to Verizon, WorldCom simply filed its arbitration petition with the Commission. Thus, at the very time it is scheduling negotiations with Verizon operating telephone company affiliates on identical or similar agreements in eight other states, WorldCom took the extraordinary step of trying to force this Commission to arbitrate each and every term of an interconnection agreement. notwithstanding that WorldCom had not engaged in any substantive negotiations regarding any of those terms.

Another factor affecting the negotiations of interconnection agreements was the Bell Atlantic-GTE merger, which occurred in late June. As a condition to approving the merger, the FCC ordered Verizon to offer CLECs generic interconnection and resale terms and conditions covering all of Bell Atlantic and GTE service areas. Thus, Verizon was required to develop a new template for negotiations with CLECs. This company-wide model contract reflects Verizon's legal obligations as decided in the most recent court and FCC proceedings, as well as operational understandings acquired by both Bell Atlantic and GTE in providing services to CLECs since the first round of interconnection agreements were negotiated. As the FCC recognized, having a single, company-wide model agreement is enormously helpful for CLECs because it provides contractual and technical consistency across states, and allows their employees to become

FCC's Order in CC Docket No. 98-184 and paragraph 33 of Appendix D ("No later than 60 days after the Merger Closing Data, Bell Atlantic/GTE shall make available to any requesting

familiar with one set of terms and conditions for all dealings with Verizon companies.

For this reason, in its most recent correspondence with WorldCom, Verizon has proposed that the parties negotiate from this FCC-mandated region-wide model agreement in all states, including Virginia. Although that proposal was initially sent to WorldCom on July 31, WorldCom has not yet responded to it -- except with its defective arbitration petition in Virginia. 12

To make matters worse, WorldCom has attached yet another proposed interconnection agreement to its arbitration petition. Verizon has *never even seen* substantial portions of WorldCom's new proposed agreement. WorldCom admits that its new agreement contains "material" changes from the existing contract that are "not based solely on a change in law or change in existing business practices," but Verizon was never advised that WorldCom sought such changes until the day after WorldCom filed its petition. The following are just a few examples of WorldCom positions that Verizon saw for the first time in WorldCom's August 10 proposed contract:

• WorldCom removed Section 4.1.2.1 from its August 10 proposed contract, even though this critical provision was included in WorldCom's March 3 proposed agreement and is in the parties' current agreement. If WorldCom orders trunks from Verizon but then decides not to use them, Verizon incurs the costs of purchasing, installing, and maintaining these now-stranded facilities, but is not able to charge WorldCom for their use. Section 4.1.2.1 allows Verizon to charge WordCom to offset that loss. By removing Section 4.1.2.1 from the proposed agreement it attached to its Petition, WorldCom is trying to force Verizon to bear the cost of WorldCom's own faulty trunk forecasting. Although WorldCom's effort to remove Section 4.1.2.1 will be

telecommunications carrier generic interconnection and resale terms and conditions covering Bell Atlantic/GTE Service Area in all Bell Atlantic/GTE States").

In accordance with the FCC's requirements, at WorldCom's request, Verizon made that model agreement available to all CLECs on August 29, 2000 and sent it to WorldCom on August 30. Numerous other carriers have allowed their arbitration windows to close, in favor of waiting for Verizon's FCC-mandated region-wide template.

Petition at 6.

disputed by Verizon, as WorldCom well knows, WorldCom failed to notify Verizon or the Commission in its Petition or attached filings that it had removed this language. And WorldCom did not identify Section 4.1.2.1 as an unresolved issue in its Petition, contrary to the Act.

- Although WorldCom claims in its Petition to seek symmetrical rates for reciprocal compensation, under terms it included for the first time in its newly-proposed agreement, Verizon would be required to pay a much higher reciprocal compensation rate to WorldCom (\$0.005 tandem) than WorldCom would pay to Verizon (\$0.00159 tandem or \$0.000927 end office). This rate proposal was not in WorldCom's March 3 or March 23 proposals, and appears for the first time in the proposal attached to WorldCom's petition. Once again, contrary to the Act, WorldCom failed to notify Verizon or the Commission in its Petition or attached filings that it was seeking highly asymmetrical rates.
- WorldCom notified Verizon for the first time through its August 10 proposed agreement that it seeks to change the rates the Commission established for UNE Platform (known as UNE-P), as well as for various types of DSL loops.

Springing changes on Verizon in this fashion is not consistent with good faith negotiation, and puts the Commission in an untenable situation were it to attempt to resolve all the issues in the short time it would have to act. In short, there is simply no basis for WorldCom to expect the Commission or Verizon to go forward with the arbitration at this time -- before negotiation has actually started.

For all other states other than Virginia with expired or expiring Bell Atlantic agreements, the parties are continuing to discuss scheduling negotiations. Even in Virginia, the parties are continuing to discuss scheduling negotiations for expiring GTE agreements. Thus, the parties appear close to reaching an agreement on a schedule to engage in real negotiations in at least fifteen states. In fact, for the fifteen states in which the existing agreement between a Verizon operating telephone company (former Bell Atlantic or former GTE) and a WorldCom entity either has expired or is about to expire, the parties are discussing a schedule that will result in arbitration proceedings beginning early next year. The Virginia agreement between Bell Atlantic and Worldcom could

readily be included in that multi-state negotiations schedule, and Verizon has suggested just that to WorldCom several times. Yet only in Virginia has WorldCom taken the extraodinary step of trying to avoid negotiations entirely and to force State commission arbitration of every aspect of an agreement. WorldCom's effort should be rejected.

Moreover, WorldCom will not be harmed in any way if negotiations for Virginia are conducted at the same time as the negotiations for other jurisdictions. Although the old MCImetro agreement between WorldCom and Bell Atlantic in Virginia expired in July 2000, it continues in effect while negotiations between the parties are underway.

ARGUMENT

- Because There Have Been No Substantive Negotiations Between The Parties, WorldCom's Arbitration Petition Does Not Meet The Requirements Of Sections 251 And 252 And Must Be Dismissed.
 - A. WorldCom Did Not Meet Numerous Statutory Pleading Requirements

The Act contains precise rules governing the negotiation and arbitration of interconnection agreements. After an incumbent local exchange carrier ("ILEC") receives a request for negotiation under Section 252, both the ILEC and the competitive local exchange carrier ("CLEC") are required to negotiate in good faith for at least 135 days before they can petition the Commission for arbitration. The "window" for requesting arbitration closes on the 160th day after the ILEC receives the request for negotiation. The non-petitioning party may respond to the petition within 25 days after

Section 251(c)(1) requires both parties to negotiate in good faith. Section 252(b)(1) provides that the parties to the negotiation may only petition for arbitration during the period from the 135th to the 160th day (inclusive) after the date on which the ILEC receives the request for negotiation.

Section 252(b)(1).

the Commission receives the petition.¹⁶ The Commission must resolve the arbitration within 9 months after the request for negotiation.¹⁷ This means that if the petition for arbitration is filed at the end of the window, the Commission could be required to resolve the arbitration in less than three months after receiving all the information from the parties.¹⁸

To enable the Commission to resolve the arbitration within this very tight schedule, the Act sets forth very precise requirements regarding petitions for arbitration. The petitioner must, at the same time it submits the petition, provide the Commission all relevant documentation concerning the unresolved issues, the position of each of the parties with respect to those issues, and any other issue discussed and resolved by the parties. The petitioner must also provide the other party with a copy of the above documents "not later than the day on which the Commission receives the petition." And in Virginia, the petitioner must also file with its petition any prefiled testimony and all materials upon which it intends to rely. 21

In this case. WorldCom has met none of these requirements, and in so doing, has failed to comply with the Act in at least three separate ways. *First*, because there indisputably were no substantive negotiations between the parties on the specific terms

Section 252(b)(3). The 25 days run from the time that the Commission receives the petition, not from the time that the other party receives the petition.

¹⁷ Section 252(b)(4)(C).

If the arbitration petition is filed at the end of the window (day 160), the response is filed within 25 days thereafter (day 185), and the Commission must act within 9 months from receiving the petition (day 270), the Commission could be required to act within 85 days (270 minus 185) after receiving all the information submitted by the parties.

¹⁹ Section 252 (b)(2)(A).

²⁰ Section 252 (b)(2)(B).

²¹ 20VAC5-400-190(C)(1).

and conditions of any interconnection agreement -- let alone the substantially different agreement attached to WorldCom's petition -- WorldCom does not, and cannot, provide the Commission with information on "unresolved issues," as required by Section 252(b)(2)(i). Section 252(b)(2)(i) does not allow the party filing for arbitration simply to guess as to which issues are "unresolved," which is what WorldCom has attempted to do unsuccessfully in its petition.

Second, for exactly the same reasons, WorldCom has not met, and cannot meet, its obligation under Section 252(b)(2)(A)(ii) of describing Verizon's position with respect to each unresolved issue. Indeed, in its petition, WorldCom readily acknowledges that, because of the absence of meaningful negotiations, "it is unable to anticipate, let alone provide" Verizon's position and therefore has not met the pleading requirement of Section 252(b)(2)(A)(ii). Of the 40 issues that WorldCom has arbitrarily chosen to label "unresolved." WorldCom has not even attempted to guess at Verizon's position on fully 31 of them. In any event, guessing at Verizon's position does not substitute for complying with the pleading requirements in Section 252(b)(2)(A)(ii).

Third, WorldCom violated Section 252(b)(2)(B) by failing to provide Verizon with a copy of its petition "not later than the day on which the State commission receives the petition." By serving its petition the day after it filed with the Commission, WorldCom has curtailed Verizon's statutory right to respond to the petition within 25

E.g., Petition at 5 ("WorldCom does not know Bell Atlantic's position on many of the issues that WorldCom is raising in this arbitration petition.") and 8 (identification of issues in dispute "is really based, at best, on educated guesses based on past experience with BA-VA and Bell Atlantic in other jurisdictions").

²³ Section 252(b)(2)(B).

days, which run from the date the Commission received the petition, not the date Verizon received the petition.²⁴

The pleading and service requirements in Section 252(b) are a matter of the Commission's subject matter jurisdiction under the Act and cannot be waived.

Accordingly, because WorldCom did not comply with Sections 252(b)(2)(A)(i)-(ii) and 252(b)(2)(B), its arbitration petition must be dismissed.

B. The Meaningful Negotiation Required By Sections 251 and 252 Has Not Occurred

The requirements of the Act and the Commission's rules necessarily presuppose that the parties will have negotiated in good faith before asking the Commission to arbitrate any issues in dispute. Section 251(c)(1) and the FCC's implementing regulations in 47 CFR 51.301 impose on the parties an affirmative duty to negotiate in "good faith." which is modeled on the heightened duty of good faith bargaining imposed by federal labor law. Thus, at a minimum, Section 251(c)(1) requires the parties seeking arbitration under Section 252(b) to have negotiated in fact. 26

The words and structure of Section 252(b) confirm that Congress intended the parties to engage in meaningful negotiation prior to filing for arbitration. Under Section 252(b)(1), between the 135th and 160th day after a request for negotiation, any party to a

Section 252(b)(3).

The FCC's rules implementing Section 251(c) (1) suggest that the FCC will look to National Labor Relations Board precedent concerning the meaning of good faith bargaining in labor law. Good faith bargaining in labor law requires, among other things, that the parties actually discuss terms and negotiate in fact.

Cf. e.g., NLRB v. General Electric Co., 418 F.2d 736, 758-62 (2d Cir. 1969) (finding complete absence of concessions and proffering of "untenable and unreasonable positions" to violate duty to bargain in good faith); NLRB v. Reed & Prince Manufacturing Co., 205 F.2d 131, 134 (1st Cir. 1953) (finding nothing to agree to in a proposal and offering no serious proposal evidence of failure to bargain in good faith); NLRB v. Montgomery Ward & Co., 133 F.2d 676, 686 (9th Cir. 1943) (finding obligation "to participate actively in the deliberations").

negotiation for an interconnection agreement may petition a State commission to arbitrate any open issue. Congress plainly intended that the parties spend the 135 to 160 days between the request for negotiation and the filing of an arbitration petition actually negotiating the terms of an agreement -- otherwise, no purpose would be served by the requirement in Section 252(b)(1) that a significant period of time elapse before a requesting party may seek State commission arbitration.

Likewise, Section 252(b)(4)(B) permits State commissions to require the parties "to provide such information as may be necessary for the State commission to reach a decision on the *unresolved issues*" -- thereby indicating both that effort was expended to resolve issues and that some issues actually were resolved. And, as noted above, Section 252(b)(2)(A) requires the party requesting arbitration to provide the State commission with all relevant documentation concerning both *unresolved and resolved issues*, as well as the position of each party on those issues. To describe the other party's position in a petition filed with the State commission, as expressly required by Section 252(b)(2)(A), the party seeking arbitration must have some substantive understanding of the other side's views. They must have negotiated in fact. In this case, however, the complete absence of substantive negotiations means that WorldCom does not actually know what issues are in dispute. As such, it cannot even begin to identify the resolved and unresolved issues or to describe Verizon's position on the disputed issues.

WorldCom concedes that there have been no meaningful negotiations between the parties on any of the terms and conditions necessary for an interconnection agreement.

Indeed, the parties have failed even to agree on the form of the contract from which their negotiations will start. That dispute is continuing as WorldCom has filed yet another

proposed agreement with its petition.²⁷ While engaged in this dispute over whose model contract should provide the starting point for negotiations, the parties never discussed, let alone narrowed or resolved, any of the hundreds of specific terms and conditions necessary to an interconnection agreement. WorldCom's petition even acknowledges that WorldCom has no actual knowledge of Verizon's position on most of the terms and conditions that WorldCom proposes, and the 40 issues WorldCom has labeled "unresolved" in its arbitration petition are merely WorldCom's guess as to what Verizon might dispute. Thus, because there have not been the meaningful negotiations required by Sections 251 and 252, Worldcom's arbitration petition must be dismissed.

C. By Failing To Comply With The Act And The Commission's Rules, Worldcom Deprived The Commission Of A Meaningful Opportunity For Review.

WorldCom's technical violations of the Act and the Commission's rules are indicative of a larger problem, which is that WorldCom's failures will deprive the Commission of any meaningful opportunity to fulfill its statutory obligation. Because of its short, fixed time frames, the Act simply does not work if the parties fail to engage in meaningful negotiation prior to arbitration. If the parties fail to engage in substantive negotiations and then seek arbitration on every aspect of an interconnection agreement, as WorldCom has attempted to do here, the Commission cannot reasonably be expected to arbitrate and resolve the issues in the short time allotted under Section 252(b)(4).

The high-handedness with which WorldCom has approached negotiations with Verizon is evident in its petition, when it suggests that, even though Verizon has not seen the agreement WorldCom is now proposing, and the parties have never negotiated any of its terms, WorldCom's "proposed contract language should be the 'default' language the parties incorporate into their interconnection agreement." Petition at 11. Thus, rather than negotiating with Verizon, or even demonstrating to the Commission that its language is appropriate and in the public interest, WorldCom seeks to foist its views upon Verizon and the Commission by "default." In fact, WorldCom actually argues that the Commission must arbitrate the entire agreement so the parties will not have to waste time negotiating. *Id*.

Moreover, as the Commission well knows, interconnection agreements, such as the one Verizon currently has with WorldCom, are exceedingly complex, running to hundreds of pages with many interrelated terms and conditions, and can take months to negotiate. WorldCom is attempting to force the Commission to accomplish its task, with no advance help from the parties, no testimony, and no evidentiary hearing, in less than three months. Congress plainly never intended that a CLEC could force a State commission to arbitrate and decide each and every term and condition in a many hundred page interconnection agreement in so short a time, and with so little help from the parties. WorldCom's alternative suggestion, that the Commission simply order the parties to adopt WorldCom's version of the agreement, is entirely without legal basis, in addition to being contrary to the public interest and unfair to Verizon.

Finally, even if the Commission attempted to arbitrate and decide all the myriad of unresolved issues within the short time frame mandated by Section 252(b)(1), there is no logical reason for it to do so. As noted earlier, the parties are close to reaching an agreement on a schedule to engage in real negotiations *in at least fifteen states*, including Virginia for the expiring agreement between WorldCom and GTE. There is no reason to force the Commission to arbitrate scores of issues in such a short time given that the parties may well negotiate these identical issues in other states. Therefore, Verizon asks the Commission to dismiss WorldCom's arbitration petition as contrary to Sections 251 and 252, and to order WorldCom to conduct good faith, meaningful negotiations with Verizon before bringing an arbitration petition back to the Commission.²⁸

The FCC has recognized the statutory authority of State commissions to dismiss petitions for arbitration or to deny arbitration. See, e.g., In the Matter of Global NAPs South, Inc. Petition for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection

CONCLUSION

For these reasons, Verizon respectfully requests that the Commission dismiss WorldCom's petition for arbitration.

Respectfully submitted,

ÝDIA R. PULLEY

600 East Main Street, Suite 1100

Richmond, VA 23219

(804) 772-1547

Counsel for Verizon Virginia Inc.

Of Counsel:

David K. Hall Mary L. Coyne

Dated: September 5, 2000